

**1989-93 Price Regression for RSA Cellular Markets**  
 Left hand Side Variable: Log of Price at 30 MOU < 1

<u>Variable</u>	<u>Estimate</u>	<u>Standard Error</u>
Intercept	3.524	0.530
Log of Income <2	-0.068	0.057
Log of Population <3	0.012	0.012
Regulation	0.124	0.030
Year 89	0.122	0.061
Year 90	0.256	0.031
Year 91	0.170	0.025
Year 92	0.086	0.023
Number of Observations	577	
Standard Error of Regression	0.218	
R Squared	0.160	

Notes: 1> Minimum monthly bill is based on 24 minutes of peak calling and 6 minutes of off-peak calling.  
 2> Log of per capita personal income. Source: NPA Data Services, Inc., April 1994.  
 3> Log of population. Source: NPA Data Services, Inc., April 1994.

**1989-93 Demand Regression for Top 30 Cellular Markets**  
**Left hand Side Variable: Log of Subscribers**

<u>Variable</u>	<u>Estimate</u>	<u>Standard Error</u>
Intercept	0.851	2.528
Log of Price < 1	-0.402	0.155
Log of Income < 2	0.188	0.309
Log of Population < 3	0.949	0.065
Log of Commute Time < 4	0.958	0.363
Regulation	-0.161	0.067
Year 89	-1.225	0.092
Year 90	-0.807	0.080
Year 91	-0.552	0.072
Year 92	-0.308	0.071
Number of Observations	196	
Standard Error of Regression	0.322	
R Squared	0.982	

Notes: 1 > Minimum monthly bill is based on 128 minutes of peak calling and 32 minutes of off-peak calling.  
2 > Log of per capita personal income. Source: NPA Data Services, Inc., April 1994.  
3 > Log of population. Source: NPA Data Services, Inc., April 1994.  
4 > Mean commute time from home to work. Source: 1990 U.S. Census, Tape File 3c.

**1989-93 Demand Instrumental Variable Regression for Top 30 Cellular Markets < 1**  
**Left hand Side Variable: Log of Subscribers**

<u>Variable</u>	<u>Estimate</u>	<u>Standard Error</u>
Intercept	1.094	2.531
Log of Price <2	-0.500	0.172
Log of Income <3	0.196	0.309
Log of Population <4	0.954	0.065
Log of Commute Time <5	0.965	0.363
Regulation	-0.147	0.068
Year 89	-1.209	0.093
Year 90	-0.795	0.080
Year 91	-0.545	0.073
Year 92	-0.304	0.071
Number of Observations	196	
Standard Error of Regression	0.321	
Hausman Specification Test ( $\chi^2_1$ )	1.73	

- Notes:
- 1> Instrumental variables include average price across other Top 30 MSAs, per capita income, population, commute time, and indicator variables for regulation and years.
  - 2> Minimum monthly bill is based on 128 minutes of peak calling and 32 minutes of off-peak calling.
  - 3> Log of per capita personal income. Source: NPA Data Services, Inc., April 1994.
  - 4> Log of population. Source: NPA Data Services, Inc., April 1994.
  - 5> Mean commute time from home to work. Source: 1990 U.S. Census, Tape File 3c.



**BEFORE THE  
FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554**

Petition of the Connecticut Department  
of Public Utility Control to Retain  
Regulatory Control of the Rates of  
Wholesale Cellular Service Providers  
in the State of Connecticut

PR File No. 94-SP4

September 16, 1994

**AFFIDAVIT OF ARTHUR H. PAQUETTE**

STATE OF CONNECTICUT)  
                                          :  
COUNTY OF NEW HAVEN )

ss.: New Haven

ARTHUR H. PAQUETTE, being duly sworn, deposes and says:

1. I am Manager of Revenue Assurance for Springwich Cellular L.P. ("Springwich"). I make this affidavit in support of Springwich's comments on the August 8, 1994 Petition of the State of Connecticut Department of Public Utility Control ("Connecticut DPUC") to the Federal Communications Commission, which seeks to retain regulatory control of the rates of wholesale cellular service providers in the State of Connecticut.

2. I am responsible for, among other things, generating invoices to the resellers and collecting unpaid bills for Springwich. In that capacity, I was responsible, along with Mark Bluemling, for determining Springwich's response to the failure by Escotel Cellular, Inc. ("Escotel") to make payments to Springwich for cellular service.

3. Springwich's Connecticut Tariff provides that payment for wholesale cellular service is due from the resellers as of the date of Springwich's invoice. A thirty-day grace period is provided during which Springwich charges no interest on the outstanding balance. Consistent with our Connecticut Tariff, if payment is not received by Springwich within the thirty-day grace period, or shortly thereafter, interest on all unpaid balances accrues from the date payment was due. These terms are applied to all of Springwich's resellers, including its affiliated reseller, SNET Mobility, Inc., doing business under the trade name Linx.

4. Although Springwich is willing to cooperate with resellers as to overdue balances, as it has often done in the past, Springwich, as with any prudent company, will not allow additional purchases of its wholesale cellular services if an overdue debt becomes too large and circumstances indicate that a reseller is not taking the necessary steps to address the debt or is failing to pay for current service, thereby increasing the debt.

5. Escotel Cellular, Inc. ("Escotel") is one of Springwich's resellers. For a period of time in the late 1980's, Escotel was involved with a consortium of resellers known as the Cellular Service Bureau ("CSB").

6. For reasons unknown to me, Escotel left the consortium in late 1989 or early 1990, and since that time has received cellular service on its own account.

The Note

7. I understand that in order for Escotel to extricate itself from the CSB, it was required by the CSB to pay to the CSB its portion of the CSB's outstanding debt to Springwiche. Escotel's portion of the debt totalled to approximately \$535,000. Escotel was unable to satisfy this obligation to the CSB. Springwiche, however, permitted Escotel to execute a note in the amount of the outstanding balance. The note, along with a Security Agreement, Standby Agreement, and a Standard UCC-1 were executed by Escotel on May 21, 1990, copies of which are attached hereto. Escotel was represented by counsel throughout this transaction. The Security Agreement granted to Springwiche a security interest in certain of Escotel's assets.

8. Escotel claims that Springwiche has engaged in some anticompetitive practice by requiring it to grant to Springwiche the security interest. Sound business policy, however, dictates that a debt of over one half million dollars be secured in some way. Moreover, Springwiche never required that Escotel finance its debt with Springwiche rather than a bank or other financial institution. Springwiche entered into the agreement to assist a reseller to stay in business, not to gain some improper competitive advantage.

Escotel's Failure to Pay  
for Springwich Wholesale  
Cellular Service Provided to It.

9. Even after receiving over one half million dollars of credit from Springwich, Escotel failed to remain current on amounts due to Springwich for wholesale cellular service provided. As of February 2, 1993, Escotel's past due balance for cellular phone service provided after the May 21, 1990 agreement, by itself, was \$657,627.00. Overall, Escotel owed Springwich \$914,704.13. Escotel, however, claimed instead that it was entitled to a broad range of credits from Springwich for alleged service deficiencies.

10. Consequently, following extensive unsuccessful attempts by Springwich to negotiate a repayment plan, Springwich sent a letter to Escotel, dated February 2, 1993, insisting that Escotel remit all amounts owed to Springwich on or before March 5, 1993. The letter also informed Escotel that no new lines would be issued to the company by Springwich because it had failed to adhere to the payment terms of the note signed in May of 1990. When payment was not received from Escotel, Springwich filed suit on March 11, 1993, in Connecticut Superior Court to foreclose its security interest and for other relief.

11. Escotel then indicated a willingness to negotiate with Springwich payment of its arrearages. Contrary to Escotel's current allegations, Springwich repeatedly sought to negotiate a resolution with Escotel and did not seek to drive it out of business. Instead, a new payment schedule, aimed at preventing Escotel from falling further behind in its payments to

Springwich, was negotiated by the parties. At the same time, the parties were to discuss payment of the arrearages owed by Escotel and Escotel's claims of billing errors.

12. This plan met with mixed success. Despite consistent reminders from Springwich, Escotel frequently failed to make payments according to the agreed upon schedule. Not only did Escotel fail to pay down the past due balance, Escotel fell even further behind. By February, 1994, Escotel owed to Springwich \$1,118,491.88.

13. Escotel failed to remit scheduled payments at various times during 1993 and 1994, and Springwich was left with little choice but to restrict the Escotel's acquisition of additional Springwich cellular service. Thus, when Escotel's payments were not forthcoming, Springwich would limit its customers' service. Usually, this involved restricting access to long-distance services since Springwich did not provide these services directly, but obtained them from other providers. This step served to minimize Springwich's exposure to out-of-pocket losses for long-distance services resold by Springwich and purchased by Escotel. These service restrictions are permitted under Springwich's Tariff.

14. Generally, after each restriction of Escotel's cellular services, some payment was forthcoming. However, by February 22, 1994, because of Escotel's repeated failure to adhere to its credit arrangements with Springwich, Springwich required that Escotel enter into a lock-box agreement to ensure timely payments. Escotel agreed to institute the lock-box

arrangement, but failed to direct its customers to deposit funds into the account, thereby completely frustrating the intent of the lock-box arrangement.

15. Payment problems continued unabated into April, 1994, when Escotel filed for protection under Chapter 11 of the United States Bankruptcy Code. In the bankruptcy proceeding, Escotel raised the same allegations of billing errors that were raised before the Connecticut DPUC and are described below. A Trustee in Bankruptcy was later appointed to operate Escotel during the pendency of the proceedings. Notwithstanding the allegations of improper billing raised by Escotel, and based at least in part on the belief of the Trustee that reorganization of the corporation was not possible, the proceeding was converted to a liquidation under Chapter 7 with the eventual consent of Escotel, pursuant to which Springwiche was allowed to exercise its security interest in the collateral. Copies of the Trustee's supplemental report to the Bankruptcy Court and of the order converting the case to a liquidation under Chapter 7 are attached.

Escotel's Disagreement With  
Springwiche's Billing Practices

16. Escotel complains that it did not receive proper credit from Springwiche for various "billing errors." These "billing errors" are not errors at all, but are Springwiche billing practices as contained in Springwiche's Connecticut Tariff (a copy of which is attached) and approved by the Connecticut DPUC. Escotel was, of course, aware of the billing practices it

now complains of, since they are plainly disclosed in Springwich's Tariff and were reviewed with Escotel on numerous occasions. I believe that Escotel's allegations are simply the self-serving attempts by a failed reseller of cellular service to avoid payment of its major creditor. No other reseller has made such allegations either to us or to the Connecticut DPUC. Springwich's billing practices are applied equally to all Springwich resellers, including Linx.

17. Springwich's policy with respect to dropped or fraudulent calls is clearly set forth in its Reseller Guide. The Guide provides that in order to receive a credit the reseller must 1) credit the end user, and 2) complete and send to Springwich a "Call Credit Summary Report" identifying the call and the reason for seeking a credit. The reseller then deducts from its payment to Springwich the value of the calls for which credit is claimed. Springwich, of course, reserves the right to review resellers' claims for credit and to have an independent auditor verify that all credits are passed on to cellular end users.

18. Escotel's claims for credit failed for two simple reasons -- Escotel's customers did not complain to it about Springwich service and Escotel failed to provide the required documentation to substantiate its claims for credit. Instead, Escotel simply sought from Springwich credit against its large delinquent balance owed to Springwich for broad categories of calls it deemed to be defective without any indication of customer dissatisfaction. In short, Escotel sought to establish

a blanket call credit policy -- a policy Springwich declined to accept.

19. Escotel claims that all cellular calls lasting less than one minute should be deemed to have been the result of poor service and that Escotel should receive a blanket credit from Springwich for all calls lasting one minute or less. There are, in my experience, many reasons a cellular telephone call might last less than one minute and, absent notice from the end user, Springwich is unwilling to conclude that each such call is the result of poor service (see attached letter to Mr. Escobar, dated January 22, 1993).

20. Escotel also complains that if two calls are placed to the same number within two minutes of one another, the first call was dropped and that Escotel is entitled to a credit for the dropped call. Again, there are many reasons that a number may be redialed and, absent notice from the end user, Springwich cannot assume that the first call was dropped. I explained this to Mr. Escobar, the president of Escotel (see attached letter, dated January 22, 1993). Moreover, Springwich cannot guarantee that calls will never be dropped. Rather, the Springwich Tariff specifically warns that "Cellular Service is subject to transmissions limitations caused by atmospheric, topographic, and like conditions, as well as by characteristics of the cellular mobile radio." See Part I, Section 2.

21. Escotel further claims that Springwich's policies are administered in a discriminatory fashion. These claims have no merit. The same credit policy described above applies to all

Springwich resellers, including Linx. Escotel's bald allegation that Linx is not required to comply with the Springwich credit policy is simply untrue.

#### Phone Number Administration

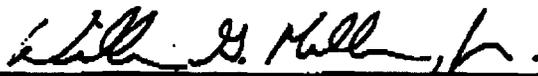
22. I am also in charge of phone number administration for Springwich, which includes the activation of new cellular phone numbers. Contrary to Escotel's allegation, Linx does not have preferential phone activation privileges. Springwich has consistently provided to all resellers equal ability to activate new accounts. Until quite recently, this required the reseller to call a Springwich representative and provide the cellular telephone's Electronic Serial Number, an authorization code, and the service features desired. Springwich representatives were available to all resellers, including Linx, during the same hours of operation.

23. Over the past several months, Springwich has tested an automated phone activation system. The system permits a reseller to activate accounts directly. Although the same account information is provided to Springwich, it is now input directly by the reseller. The two largest resellers, Connecticut Telephone and Linx, participated in the test. Prior to the last three weeks, the automated activation system did not expand the hours available for activation compared to the standard activation system.

24. This week, Springwich invited all resellers to participate in the trial of the new automated activation system. All resellers who participate in the trial will be subject to the same rules and hours of operation.

  
\_\_\_\_\_  
Arthur H. Paquette

Sworn to before me this  
16th day of September, 1994.

  
\_\_\_\_\_  
Commissioner of the Superior Court

NOTE

FOR VALUE RECEIVED, the undersigned promises to pay SNET CELLULAR, INC., or order, the principal sum of FIVE HUNDRED THIRTY-FIVE THOUSAND AND NO/100 DOLLARS (\$535,000.00), with interest from date at the rate of eleven percent (11%) per annum on the unpaid balance. Principal and interest are to be paid in twenty (20) equal monthly installments of Twenty-Four Thousand Nine Hundred Thirty-Five Dollars and 19/100 (\$24,935.19) each, the first installment being payable on May 1, 1990, and the balance of principal and interest is due and payable in three (3) monthly installments of Forty-One Thousand One Hundred Eighty-Three Dollars and 50/100 (\$41,183.50) each starting on January 1, 1992 and ending on March 1, 1992. Each monthly installment shall be allocated first to interest and the remainder to principal. The undersigned promises to pay said principal and interest together with any costs, expenses or attorney's fees incurred in the collection of this Note or the debt thereby secured.

Upon default in the payment of any said monthly installment, for a period of fifteen (15) days after any shall become due and payable, or upon default for a period of fifteen (15) days in the performance of any of the covenants, agreements or provisions in the Security Agreement securing this Note or in the Standby Agreement, then the unpaid balance of this Note shall, at the option of the holder hereof, become due and payable on demand. Failure to exercise any option by the holder shall not constitute a waiver of the right to exercise the same at any other time.

The undersigned shall have the privilege to prepay the principal amount outstanding in whole or in part. Any partial prepayments shall be applied against the principal amount outstanding and shall not extend or postpone the due date of any subsequent monthly installment or change the amount of such installments, unless the holder hereof shall otherwise agree in writing.

DEBTOR ACKNOWLEDGES THAT THE TRANSACTION OF WHICH THIS AGREEMENT IS A PART IS A COMMERCIAL TRANSACTION, AND HEREBY WAIVES ITS RIGHT TO NOTICE AND HEARING UNDER CHAPTER 903a OF THE CONNECTICUT GENERAL STATUTES, OR AS OTHERWISE ALLOWED BY THE LAW OF ANY STATE OR FEDERAL LAW WITH RESPECT TO ANY PREJUDGMENT REMEDY WHICH THE SECURED PARTY OR ITS SUCCESSORS OR ASSIGNS MAY DESIRE TO USE.

Presentment, notice of dishonor, and protest are hereby waived by all Makers, sureties, guarantors and endorsers hereof. This Note shall be the joint and several obligation of all Makers, sureties, guarantors and endorsers, and shall be binding upon them and their heirs, personal representatives, successors and assigns.

LUIS ESCOBAR (Individually)

ESCOTEL CELLULAR, INC.

Luis A Escobar

By Luis A Escobar

Its President

THE PHONE EXTENSION, INC.

By Luis A Escobar

Its President

SECURITY AGREEMENT

SECURITY AGREEMENT, dated this 21<sup>st</sup> day of May, 1990, between LUIS ESCOBAR, of the Town of Norwalk, County of Fairfield and State of Connecticut, ESCOTEL CELLULAR, INC., and THE PHONE EXTENSION, INC., both being corporations organized and existing under the laws of the State of Connecticut and having an office and principal place of business in the Town of Westport, County of Fairfield and State of Connecticut (said three parties are collectively referred to herein as "Debtor"), and SNET CELLULAR, INC., a Connecticut corporation with a principal place of business at 555 Long Wharf Drive, New Haven, Connecticut ("Secured Party").

WHEREAS, Debtor is indebted to Secured Party for telecommunications services rendered to Debtor through April 12, 1990 in the amount of \$535,000 ("Amount Due");

WHEREAS, a substantial portion of the Amount Due is over ninety (90) days past due and in order to induce Secured Party to forebear from terminating telecommunications services to it, Debtor and Secured Party have entered into a certain Standby Agreement ("Standby Agreement") of even date herewith;

WHEREAS, as a further inducement to Secured Party to forebear from terminating telecommunications services to it, Debtor has agreed to enter into a Security Agreement with Secured Party.

NOW, THEREFORE, the parties hereby mutually agree as follows:

1. Grant of Security Interest

The Debtor hereby grants to the Secured Party a security interest in all of Debtor's accounts, contract rights, chattel paper, documents, and instruments, including, without limitation, all obligations to Debtor for the payment of money, whether arising out of Debtor's sale of goods or rendition of services or otherwise and all books, records, customer lists, ledger cards, computer programs, computer tapes, disks, printouts, and records, and other property and general intangibles at any time evidencing or relating to any of the foregoing, now existing or hereafter acquired or arising, and all renewals, substitutions and replacements and additions and exceptions thereto, and any interest now or hereafter arising with respect thereto, and proceeds and products of all of the foregoing ("Collateral"). This grant is made to secure payment and performance of the "Obligations". As used in this Agreement, "Obligations: means all loans, advances, debts, liabilities, invoices, obligations, covenants and duties owing by Debtor to Secured Party of every kind and description (whether or not evidenced by any note, draft, guaranty of other instrument and whether or not for the payment of money), direct or indirect, absolute or contingent, whether by tariff or otherwise, whether due or to become due, now existing

or hereafter arising, whether or not such Obligations are contemplated by the parties at the time of the granting of this security interest, including without limitation the full payment and performance of the Standby Agreement, together with all costs incurred by the Secured Party to obtain, preserve and enforce the security interest hereby created, collect and enforce the Obligations and maintain and preserve the Collateral including but not limited to, reasonable attorneys' fees, legal expenses and court costs.

a. To the extent applicable, the Uniform Commercial Code of Connecticut shall govern the security interest provided for herein. In connection therewith, the Debtor shall take such steps and execute and deliver such financing statements, assignments and other papers as the Secured Party may from time to time request.

b. If, by reason of location of the Collateral or otherwise, the creation, validity or perfection of the security interest provided for herein is governed by the law of a jurisdiction other than Connecticut, the Debtor shall take steps and execute and deliver such papers as the Secured Party may from time to time request to comply with such law.

## 2. Promise to Pay

The Debtor promises to fully pay and perform the Obligations in accordance with their terms.

## 3. Debtor's Representations, Warranties and Covenants

The Debtor hereby represents, warrants and covenants to the Secured Party that:

a. To the extent that the Debtor is a corporation, then as to such party, the Debtor is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation. The execution, delivery and performance of this Agreement are within Debtor's corporate powers, have been duly authorized, are not in contravention of law or the terms of Debtor's charter or bylaws or other incorporation papers or any agreement or undertaking to which Debtor is a party or by which Debtor is bound.

b. All of the Debtor's places of business are located in Connecticut.

c. The Debtor is the absolute and undisputed owner of the Collateral, and there are no liens or encumbrances currently on the Collateral.

d. Debtor shall not sell, lease (as lessor), transfer or otherwise dispose of any of the Collateral, whether now owned or hereafter acquired.

e. The Collateral shall include customers and their accounts who take service from both wholesale cellular service carriers.

f. Debtor will not pledge or otherwise encumber the Collateral.

#### 4. Events of Default

Any one or more of the following events shall constitute an Event of Default hereunder:

a. Debtor shall fail to fully pay or perform the Obligations, and such failure continues for a period of ten (10) days without being cured.

b. Debtor shall fail to observe or perform any covenant or agreement contained in this Agreement or in any instrument, document or agreement between Debtor and Secured Party, including but not limited to a certain Standby Agreement of even date herewith, and such failure continues for a period of thirty (30) days without being cured.

c. Any warranty, representation or statement made or furnished to Secured Party by or on behalf of Debtor proves to have been false in any material respect when made or furnished.

d. Any levy, seizure, or attachment of any of Debtor's property.

e. Dissolution, termination of existence, insolvency, or business failure of Debtor.

f. Debtor shall: (i) cease, be unable, or admit in writing its inability to pay its debts as they mature, or make a general assignment for the benefit of, or enter into any composition or other arrangement with creditors; (ii) apply for, or consent (by admission of material allegations of a petition or otherwise) to the appointment of a receiver, trustee or liquidator of Debtor or of a substantial part of its assets, or proceedings seeking such appointment shall be commenced against Debtor and continue undismissed for thirty (30) days; or (iii) apply for, or consent (by admission of material allegations of a petition or otherwise) to the application of any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction, or proceedings to this end are instituted against Debtor and remain unstayed and undismissed for thirty (30) days, or are approved as properly instituted or result in an order for relief or other adjudication of bankruptcy or insolvency.

#### 5. To Sell or Collect Collateral

Upon the occurrence of any Event of Default hereunder, the Obligations shall, at the sole option of the Secured Party,

become immediately due and payable, without notice to Debtor, and the Secured Party shall have, in any jurisdiction where enforcement hereof is sought, in addition to any other rights and remedies which the Secured Party may have under law, the following rights and remedies, all of which may be exercised with or without further notice to Debtor: (i) to foreclose the security interest created under this Agreement by any available judicial procedure or without judicial process; (ii) to sell, assign, lease or otherwise dispose of the Collateral or any part thereof, either at public or private sale or at any broker's board, in lots or in bulk, for cash, on credit or otherwise, with or without representations or warranties, and upon such terms as shall be acceptable to the Secured Party, all at its sole option and as the Secured Party, in its sole discretion, may deem advisable; and the Secured Party may bid or become purchaser at any such sale if public, and the Secured Party shall have the right, at its option, to apply or be credited with the amount of all or any part of the Obligations owing to the Secured Party against the purchase price bid by them at any such sale. The net cash proceeds resulting from the collection, liquidation, sale or other disposition of the Collateral shall be applied first to the expenses (including all attorneys' fees) of retaking, holding, storing, processing and preparing for sale, selling, collecting, liquidating and the like, and then to the satisfaction of all Obligations, application as to the particular Obligations to be in the Secured Party's discretion.

Debtor shall be liable to the Secured Party and shall pay the Secured Party on demand any deficiency which may remain owing to Secured Party after such sale, disposition, collection or liquidation of the Collateral, and the Secured Party agrees to remit to Debtor any surplus remaining from the collection or liquidation of the Collateral after all Obligations have been paid in full. Debtor will, at Secured Party's request, make available to the Secured Party all premises and facilities of Debtor for the purpose of the Secured Party's taking possession of the Collateral or of removing or putting the Collateral in saleable form.

To facilitate the exercise by the Secured Party of the rights and remedies set forth in this paragraph after the occurrence of an Event of Default, Debtor hereby constitutes Secured Party or its agents, or any other person whom Secured Party may designate, as its attorney-in-fact, at Debtor's own cost and expense, to exercise all or any of the following powers, which being coupled with an interest, shall be irrevocable, shall continue until all Obligations have been paid in full and shall be in addition to any other rights and remedies that the Secured Party may have: (i) to remove from any premises where the same may be located, any and all documents, instruments, files and records, and any receptacles and cabinets containing the same, relating to the Collateral, and Secured Party may, at Debtor's cost and expense, use its place of business as may be reasonably necessary to properly administer and control the Collateral; (ii) endorse as a Debtor's agent any of its instruments, documents or chattel paper constituting the Collateral; (iii) to take or bring, in the Secured Party's name or in the name of Debtor, all steps, actions, suits or proceedings

deemed by the Secured Party necessary or desirable to effect collection of money or other solvent credits Debtor may have to its credit with any institution.

6. Waivers

a. Debtor waives presentment, demand, notice, protest, notice of acceptance and all or other action taken in reliance hereon and all other demands and notices of any description. The Debtor also waives for itself, its successors and assigns, any claim of offset, defense or counterclaim which Debtor may have, known or unknown, to said Obligations. The Secured Party shall have no duty other than as imposed by law as to the collection or protection of the Collateral or any income thereon, nor as to the preservation of rights against prior parties, nor as to the preservation of any rights pertaining thereto beyond the safe custody thereof. The Secured Party may exercise its rights with respect to the Collateral without resorting or regard to other collateral or sources of reimbursement for any of the Obligations. The Secured Party shall not be deemed to have waived its rights under any of the Obligations or with regard to the Collateral unless such waiver is in writing and signed by the Secured Party. No delay or omission on the part of the Secured Party in exercising any right shall operate as a waiver or such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right on any future occasion. The Secured Party may revoke any permission or waiver previously granted to Debtor, such revocation to be effective whether given orally or in writing. All rights and remedies of the Secured Party with respect to the Obligations or the Collateral, whether evidenced hereby or by any other instrument or papers, shall be cumulative and may be exercised singularly or concurrently. This waiver is absolute and for the benefit of the Secured Party, its successors and assigns, and shall survive the expiration, termination or breach by Debtor of this Agreement.

b. DEBTOR ACKNOWLEDGES THAT THE TRANSACTION OF WHICH THIS AGREEMENT IS A PART IS A COMMERCIAL TRANSACTION, AND HEREBY WAIVES ITS RIGHT TO NOTICE AND HEARING UNDER CHAPTER 903a OF THE CONNECTICUT GENERAL STATUTES, OR AS OTHERWISE ALLOWED BY THE LAW OF ANY STATE OR FEDERAL LAW WITH RESPECT TO ANY PREJUDGMENT REMEDY WHICH THE SECURED PARTY OR ITS SUCCESSORS OR ASSIGNS MAY DESIRE TO USE.

7. Miscellaneous

No modification or amendment hereof shall be effective unless in writing and signed by the parties hereto. The rights and privileges of the the Secured Party shall inure to its successors and assigns. This Agreement shall be binding upon the Debtor and its successors and assigns. If any provision of this Agreement is invalid or unenforceable under applicable law, the provision is and will be totally ineffective to that extent, but the remaining provisions hereof will be unaffected.

This Agreement has been made in the State of Connecticut and shall be interpreted and construed in accordance with the laws of such State.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the day and year first above written.

DEBTOR  
LUIS ESCOBAR (Individually)

*Luis A. Escobar*

SECURED PARTY  
SNET CELLULAR, INC.

By *Mark W. Blumenthal*  
Its Vice President-Finance

DEBTOR  
ESCOTEL CELLULAR, INC.

By *Luis A. Escobar*  
Its President

DEBTOR  
THE PHONE EXTENSION, INC.

By *Luis A. Escobar*  
Its President

**STANDBY AGREEMENT**

AGREEMENT entered into this 21<sup>st</sup> day of May, 1990, by and between SNET CELLULAR, INC. ("Creditor"), a Connecticut corporation with a principal office located at 555 Long Wharf Drive, New Haven, Connecticut, and LUIS ESCOBAR, of the Town of Norwalk, County of Fairfield and State of Connecticut, ESCOTEL CELLULAR, INC., and THE PHONE EXTENSION, INC., both being corporations organized and existing under the laws of the State of Connecticut and having an office and principal place of business in the Town of Westport, County of Fairfield and State of Connecticut (said three parties are collectively referred to herein as "Debtor").

WHEREAS, Debtor is indebted to Creditor for telecommunications services rendered to Debtor through April 12, 1990 ("Reference Date") in the amount of \$535,000 ("Amount Due");

WHEREAS, a substantial portion of the Amount Due is over ninety (90) days past due; and

WHEREAS, Debtor desires, by this Agreement and the promises herein contained, to induce Creditor to forbear from terminating services to it.

NOW, THEREFORE, the parties hereby mutually agree as follows:

1. In exchange for the forbearance by Lender from terminating telecommunications services to Debtor, for the continued extension of credit to Debtor as provided herein and agreements of Creditor hereunder, Debtor agrees as follows:

a) Debtor acknowledges that the entire Amount Due is due and owing to Creditor and a substantial amount of \$535,000 is over 90 days past due.

b) The Debtor shall make the following payments on said \$535,000 as provided in the attached Note:

1) The monthly sum of \$24,935.19 to Creditor starting on May 1, 1990 through December 1, 1991; and

2) The monthly sum of \$41,183.50 to Creditor from January 1, 1992 through and including March 1, 1992.

c) The amount of \$87,696.52 has been billed to Debtor for current services on or about April 18, 1990, and it shall be paid within 30 days hereof.

d) Debtor shall provide to Creditor on or before June 30, 1990, a balance sheet and statement of income and retained earnings prepared in accordance with generally accepted accounting principles consistently applied and prepared by a certified public accountant for fiscal year of 1989 and each fiscal quarter thereafter during which this Agreement is in effect.

e) Debtor agrees to pay for future telecommunications services rendered to Debtor within 30 days of billing date.

f) Interest shall continue to accrue on the above unpaid amounts set forth in 1(c) and (e) at the tariff rate until such amounts are paid in full. Said interest shall be due, payable and billed if the Debtor defaults on this Agreement.

g) The Debtor, The Phone Extension, Inc., agrees to keep in force the current Letter of Credit in the amount of \$50,000 and to increase said letter as required by Creditor as its number of customers increases.

h) The Debtor, Luis Escobar and Escotel Cellular, Inc., agrees to provide an additional Letter of Credit in the amount of \$85,000 on or before June 15, 1990 and to increase said Letter as required by Creditor as its number of customers increases.

i) The Debtors, their officers and directors agree not to form or use any other entity, including but not limited to partnerships, corporations, sole partnerships or otherwise, in the conduct of its cellular service business within the State of Connecticut.

j) The Debtor agrees not to transfer, sell or otherwise dispose of any of its cellular customers without the Creditor's written consent.

2. a) As a material inducement to Creditor to execute and be bound by this Agreement, Debtor hereby acknowledges that the Amount Due is justly and contractually due and owing and waives for itself, its successors and assigns, forever and irrevocably, any claim of offset, defense or counterclaim which Debtor may now have, known or unknown, to the obligations represented by the Amount Due. This waiver is absolute and for the benefit of Creditor, its successors and assigns, and shall survive the expiration, termination or breach by Debtor of this Agreement.

b) DEBTOR ACKNOWLEDGES THAT THE TRANSACTION OF WHICH THIS AGREEMENT IS A PART IS A COMMERCIAL TRANSACTION, AND HEREBY WAIVES ITS RIGHT TO NOTICE AND HEARING UNDER CHAPTER 903a OF THE CONNECTICUT GENERAL STATUTES, OR AS OTHERWISE ALLOWED BY THE LAW OF ANY STATE OR FEDERAL LAW WITH RESPECT TO ANY PREJUDGMENT REMEDY WHICH THE CREDITOR OR ITS SUCCESSORS OR ASSIGNS MAY DESIRE TO USE.

3. The following shall constitute an "Event of Default" under this Agreement:

a) failure of Debtor to fulfill any obligation of payment which failure continues for a period of ten (10) days without being cured, or performance which continues for a period of thirty (30) days without being cured hereunder; or

b) any material representation or warranty of Debtor made to Creditor proves to be false or incorrect.

Upon default hereunder, this Agreement shall terminate immediately without notice and Creditor shall have all rights and remedies with regard to Debtor, including but not limited to those provided for in the Security Agreement between Creditor and Debtor of even date herewith and the right to immediately terminate telecommunications services to Debtor.

4. At the time that Debtor has fully performed all of its obligations to Creditor hereunder, this Agreement and Note shall terminate, and Creditor may invoke the measures provided for in the tariff with regard to future extensions of credit to Debtor, if Creditor elects in its sole discretion to extend further credit to Debtor.

IN WITNESS WHEREOF, the parties hereto have signed below on the day and date above written.

DEBTOR  
LUIS ESCOBAR (Individually)

*Luis A. Escobar*

CREDITOR  
SNET CELLULAR, INC.

By *Mark W. Shremberg*  
Its Vice President-Finance

DEBTOR  
ESCOTEL CELLULAR, INC.

By *Luis A. Escobar*  
Its President

DEBTOR  
THE PHONE EXTENSION, INC.

By *Luis A. Escobar*  
Its President

This Financing Statement is filed with Office of the Secretary of the State, Uniform Commercial Code Div., 30 Trinity St., Hartford, Conn. 06106

NAME AND ADDRESS OF DEBTOR (Or Assignee)  Escotel Cellular, Inc. 25 Sylvan Road, South Building K Westport, Connecticut 06880	NAME AND ADDRESS OF SECURED PARTY (Or Assignee)  SNET Cellular, Inc. 555 Long Wharf Drive New Haven, Connecticut	FOR FILING OFFICER (Date, Time, Number)  JUN 1 4 30 PM '90 087751A02200015 08RN37180 875512
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1. This financing statement covers the following types (or items) of property (Describe)

All of Debtor's accounts, contract rights, chattel paper, documents, and instruments, including, without limitation, all obligations to Debtor for the payment of money, whether arising out of Debtor's sale of goods or rendition of services or otherwise and all books, records, customer lists, ledger cards, computer programs, computer tapes, disks, printouts and records, and other property and general intangibles at any time evidencing or relating to any of the foregoing.

Name and address of assignee of Secured Party

2. (If collateral is crops) the above described crops are growing or are to be grown on (describe real estate above or on a separate sheet).

3. (If applicable) the above goods are to become fixtures on (describe real estate above or on a separate sheet) and filing statement is to be filed for record in the real estate records.

4.  (If debtor does not have an interest of record) the name of the owner is \_\_\_\_\_

4.  (If products of collateral are claimed) products of collateral are also covered

Number of additional sheets presented \_\_\_\_\_  Debtor is a transmitting utility as defined in 62a-9-402 Conn. General Statutes.

WHICHEVER IS APPLICABLE

*Luis A. Esposito* Signature of Debtor (Or Assignee)

*Mark W. Blumenthal* Signature of Secured Party (Or Assignee)

(1) Filing Officer Copy-Alphabetical  
STANDARD FORM UNIFORM COMMERCIAL CODE FORM UCC-1